

# **Chapter Eight**

## *The Death and Rebirth of the Social Psychology of Negotiation*

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### **Introduction**

In the 1970s, social psychology was one of the best-represented disciplines in negotiation research (Druckman, 1977; Pruitt, 1981; Rubin & Brown, 1975). Yet, as the social cognitive movement took hold within psychology during the 1980s, the study of negotiations did not fit readily into the changing field and largely disappeared from social psychology. In business schools, by contrast, negotiation was perhaps the fastest growing topic of research in that decade. However, the dominant research perspective of negotiation that emerged during the 1980s was grounded in behavioral decision research and emphasized the systematic and predictable mistakes that negotiators make (i.e., departures from rationality). It left the social variables in negotiations largely unexamined. At the beginning of the twenty-first century, we see the reemergence of the social psychological study of negotiation. This reemergence has been affected profoundly by the behavioral decision theory perspective of the 1980s and 1990s. Yet it also highlights social phenomena that were ignored by investigators with a more cognitive orientation.

In this chapter, we present a brief history of the life and death of negotiation research in social psychology during the 1970s and 1980s as well as the behavioral decision theory perspective that prevailed in business schools during the 1980s and the early 1990s. The

The authors received support for this research from the Dispute Resolution Research Center at Northwestern University, the Dean's office of the J. L. Kellogg Graduate School of Management at Northwestern University, and Faculty Research Support from Harvard Business School. The second author was supported by a National Science Foundation Graduate Research Fellowship. The third author held a visiting position at the Harvard Business School for much of the time spent writing this paper. The paper benefited from excellent feedback obtained from Margaret Clark, Margaret Neale, Susan Rees, Hannah Riley, Rob Robinson, Lee Ross, Katie Shonk, and Leigh Thompson.

chapter also reviews current research heralding the rebirth of the social psychology of negotiations and highlighting important new directions in this area of study.

### *Negotiations research before 1980*

Throughout the 1960s and 1970s, the study of negotiations in social psychology consisted of two main streams of research – the study of individual differences among negotiators and the study of situational factors that facilitate or impede the negotiation process. The dominant psychological research on negotiations emphasized individual difference variables (Rubin & Brown, 1975), including both demographic characteristics (such as gender) and personality variables (such as risk-taking tendencies). Gender, race, age, risk-taking tendencies, locus-of-control, cognitive complexity, tolerance for ambiguity, self-esteem, authoritarianism, and Machiavellianism were all research topics in the 1960s negotiation literature (Lewicki, Weiss, & Lewin, 1988; Neale & Bazerman, 1992; Rubin & Brown, 1975).

Since bargaining is clearly an interpersonal activity, it seems logical that the participants' dispositions should exert significant influence on the process and outcomes of negotiations. However, despite hundreds of studies on individual differences such as those mentioned above, such factors typically do not explain much variance in negotiator behavior (Thompson, 1990). Furthermore, and consistent with findings from the broader field of social psychology (Ross & Nisbett, 1991), slight changes in situational or contextual features often swamp any individual difference effects.

Research on gender differences in negotiation provides a good example of a failed attempt to find individual differences in negotiator behavior. Across hundreds of studies, there has been no consistent evidence to support a main effect for gender differences in negotiator performance (Lewicki, Litterer, Minton, & Saunders, 1999). Thompson (1990) argued that the findings that do support gender effects must be viewed skeptically. She asserted that studies have reported gender differences inconsistently, often as a secondary analysis. The implication is that there may be an even larger number of studies that have never reported findings on gender differences because of the lack of a statistically demonstrable effect. Walters, Stuhlmacher, and Meyer (1998), in their meta-analysis of 62 studies of gender and negotiator competitiveness, concluded that gender differences account for less than 1 percent of the variance in competitiveness. Furthermore, based on a review of 34 research studies conducted since 1975, Watson (1994) asserted that situational factors, such as situational power, are better predictors of negotiation behavior and outcomes than is gender. Walters et al. (1998) concluded: "It appears that even small variations in experimental conditions can eliminate these differences entirely, or more surprisingly, cause them to change direction. Considering all of the factors that shape our decision to be competitive or cooperative in interpersonal bargaining, our gender accounts for but a small fraction" (p. 23).

Although the debate continues (Barry & Friedman, 1998), a number of authors have reached the conclusion that individual differences offer little insight into predicting negotiator behavior and negotiation outcomes (Lewicki et al., 1999; Pruitt & Carnevale, 1993). Lewicki et al. concluded that ". . . there are few significant relationships between personality and negotiation outcomes." Similarly, Hermann and Kogan (1977) argued: "From what is known now, it does not appear that there is any single personality type or

characteristic that is directly and clearly linked to success in negotiation." While to have searched and largely not found predictive value in individual difference variables might be considered a discovery unto itself, it is not a particularly rewarding one.

In addition to the lack of predictability of individual difference findings, the individual difference literature also has been criticized for its lack of relevance to practice. Bazerman and Carroll (1987) argued that individual differences are of limited value because of their fixed nature – i.e., they are not under the control of the negotiator. Of course, one could argue that knowing both the personal characteristics of one's counterpart and the effects of those characteristics might have practical implications. However, individuals, even so-called experts, are known to be poor at making clinical assessments about another person's personality in order to accurately formulate an opposing strategy (Bazerman, 1998; Morris, Lerrick, & Su, 1998; Morris, Leung, & Sethi, 1998). Cultural differences in negotiation may be an exception to this generalization in that an understanding of such differences might help negotiators formulate strategies (Bazerman, Curhan, Moore, & Valley, 2000).

The second stream of research on negotiation in social psychology during the 1960s and 1970s was the study of situational variables, or relatively fixed, contextual components that define a negotiation. In the language of game theory, situational characteristics define the game. Situational factors include the presence or absence of a constituency (Druckman, 1967), the form of communication between negotiators (Wichman, 1970), the outcome payoffs available to the negotiators (Axelrod & May, 1968), the relative power of the parties (Marwell, Ratcliff, & Schmitt, 1969), deadlines (Pruitt & Drews, 1969), the number of people representing each side (Marwell & Schmitt, 1972), and the effects of third parties (Pruitt & Johnson, 1972). Research on situational variables has contributed to our understanding of the negotiation process and has directed both practitioners and academics to consider important structural components of negotiations. For example, the presence of observers has been shown to produce greater advocacy on behalf of previously announced positions (Lamm & Kogan, 1970) and to foster a more competitive bargaining atmosphere (Vidmar, 1971).

However, from an applied perspective, research on situational factors shares a critical shortcoming with research on individual differences. Situational factors represent aspects of the negotiation that are usually beyond the control of an individual negotiator. Drawing upon the example above, politicians cannot wish away the presence of their constituents. In organizational settings, participants' control over third-party intervention is limited by their willingness to make the dispute publicly visible. If and when the participants do make their disputes public, their managers typically are the ones who determine how and when to intervene (Murnighan, 1986; Pinkley, Brittain, Neale, & Northcraft, 1995). This lack of control applies to other situational factors as well, such as the relative power of the negotiators and prevailing deadlines. While negotiators can be advised to identify ways in which to manipulate their perceived power, obvious power disparities that result from resource munificence, hierarchical legitimacy, or expertise are less malleable. Negotiators are often best served by developing strategies for addressing these power differentials instead of trying to change them.

Our view is that negotiation is most usefully studied from an interpretive perspective. Consistent with social psychology's principle of construal (Nisbett & Ross, 1980; Ross & Nisbett, 1991), we believe that the effects of objective, external aspects of a situation depend on the way the negotiator perceives these features and uses those perceptions to interpret and screen information. This view follows directly from the work of Kelley and

Thibaut (1978), who suggested that negotiators psychologically transform the structure of the negotiation to create the "effective" game that is to be played. The 1960s and 1970s situational research in the negotiation literature suffered from a prescriptive void because it failed to consider this interpretive process.

In summary, the dominant social psychological approaches of the 1960s and 1970s research suffered from critical shortcomings. The individual difference literature from hundreds of studies yielded few consistent findings and thus failed to produce a compelling theory of negotiator behavior that could move the field ahead. The situational literature did not consider the importance of the negotiator's construal in interpreting the negotiation situation. Both literatures were limited in their practical usefulness by a prescriptive silence because they focused on aspects of the process that are beyond the negotiator's control. Moreover, these characteristics of the negotiation field proved inconsistent with the social cognitive movement in social psychology. Thus, in the 1980s and early 1990s, the study of negotiation lost its social psychological focus.

### *The behavioral decision theory perspective*

During the 1980s, scholars in business schools, perhaps influenced by the social cognitive movement, began to recognize ways in which the expanding body of research on decision making might inform negotiation theory. If the typical negotiator is confronted with a situation and an opponent, and has relatively little power to change either one, then the only important feature of the negotiation situation that is routinely within the negotiator's control is how he or she makes decisions. The marriage of negotiation and decision-making research meant that individual axioms of decision making could be applied to negotiation research, lending theoretical rigor to the study of negotiation. Thus, the dominant perspective practiced by negotiation researchers became behavioral decision theory.

Decision researchers from various disciplines have offered a variety of theoretical perspectives on how to improve decision making (Bell, Raiffa, & Tversky, 1989). One aspect that differentiates these perspectives is the descriptive/prescriptive distinction. Behavioral researchers (e.g., psychologists, sociologists, and organizational behaviorists) tend to focus on describing how people *actually* make decisions, while more analytic fields (e.g., economics and decision analysis) typically prescribe how people *ought* to make decisions. Unfortunately, too little interaction has occurred between the descriptive and prescriptive camps.

A central premise of our perspective is that the most useful model of negotiation, and the individual decision making that occurs within it, will include both description and prescription (Lax & Sebenius, 1986). Raiffa made an important theoretical connection between these two camps when he advocated an "asymmetrically prescriptive/descriptive" approach (1982). This approach describes how decision analysis can be used to help individual negotiators ("asymmetric") predict the behavior of their counterparts ("descriptive") and then develop appropriate strategies to deal with those behaviors ("prescriptive").

Raiffa's work represents a turning point in negotiation research for a number of reasons. First, in the context of a prescriptive model, he explicitly acknowledged the importance of developing accurate descriptions of the opponent, rather than assuming the opponent to be fully rational. Second, his realization that negotiators need advice implicitly acknowledges that

negotiators themselves do not intuitively follow purely rational strategies. Most importantly, Raiffa initiated the groundwork for dialogue between prescriptive and descriptive researchers. The focal negotiator must use descriptive models to anticipate the likely behavior of the opponent but must also rely on prescriptive advice to overcome his or her own decision biases.

Recently, Bazerman and Neale (1992; Bazerman, 1998; Neale & Bazerman, 1991) and Thompson (1990, 1998) introduced a body of research that addresses some of the questions that Raiffa's work left unexamined. For example, if the negotiator and his or her opponent do not act rationally, what systematic departures from rationality can be predicted? Building on work in behavioral decision theory, a number of deviations from rationality that can be expected in negotiations have been identified. Specifically, research on two-party negotiations suggests that negotiators tend to: (1) be inappropriately affected by the positive or negative frame in which risks are viewed (Bazerman, Magliozi, & Neale, 1985); (2) anchor their number estimates in negotiations on irrelevant information (Northcraft & Neale, 1987; Tversky & Kahneman, 1974); (3) rely too heavily on readily available information (Neale, 1984); (4) be overconfident about the likelihood of attaining outcomes that favor themselves (Bazerman & Neale, 1982); (5) assume that negotiation tasks are necessarily fixed-sum and thereby miss opportunities for mutually beneficial trade-offs between the parties (Bazerman et al., 1985); (6) escalate commitment to a previously selected course of action when it is no longer the best alternative (Bazerman & Neale, 1983; Diekmann, Tenbrunsel, Shah, Schroth, & Bazerman, 1996); (7) overlook the valuable information that can be obtained by considering the opponent's cognitive perspective (Bazerman & Carroll, 1987; Samuelson & Bazerman, 1985); and (8) reactively devalue any concession that is made by the opponent (Ross & Stillinger, 1991).

The primary contribution that prescriptive models make to descriptive research is to provide a benchmark of optimality. Indeed, the growth and expansion of behavioral decision research has been fueled by the usefulness of performance standards based on perfect rationality, against which actual performance can be compared (Kahneman, Slovic, & Tversky, 1982) and improved (Bazerman, 1998).

In sum, the negotiation research of the 1980s and early 1990s was largely influenced by a behavioral decision theory perspective. This new perspective, informed by Raiffa's "asymmetrically prescriptive/descriptive" approach (1982), prompted a large body of research that outlines systematic departures from rationality in negotiator cognition. Thus, recent descriptive research informs a prescriptive approach by providing necessary information on the impediments to individual rationality.

### *The rebirth of negotiations research in social psychology*

While the behavioral decision perspective has had a significant influence on the scholarship and practice of negotiation, it missed several key social components that are critical to the practical task of negotiating more effectively. In recent years, research has incorporated these missing social factors within the behavioral decision perspective. In the remainder of this chapter we review this set of previously underrepresented topics in the social psychological study of negotiation. Specifically, we focus on work dealing with social relationships, egocentrism, attribution and construal processes, motivated illusions, and emotion. Importantly,

we examine this research within the context of a descriptive/prescriptive, decision perspective, highlighting how social factors can create shortcomings that need to be managed.

## Social Relationships in Negotiation

Although the importance of relationships in negotiation has been cited repeatedly throughout the history of the negotiation field (e.g., Rubin & Brown, 1975; Rubin, Pruitt, & Kim, 1994; Walton & McKersie, 1965), the late 1980s and early 1990s, in particular, have witnessed a proliferation of studies on the topic (for reviews, see Greenhalgh & Chapman, 1996; Valley, Neale, & Mannix, 1995). The majority of these studies are influenced by the prescriptively descriptive focus of the behavioral decision theory perspective.

For the most part, the study of relationships and negotiation has occurred within three basic domains – the individual, the dyad, and the network. The first domain includes studies of how the judgments and preferences of individual negotiators are influenced by their social context (e.g., Clark, Mills, & Corcoran, 1989; Messick & Sentis, 1985; Morgan & Sawyer, 1967; Polzer, Neale, & Glenn, 1993; Thompson, Valley, & Kramer, 1995; for a review, see Clark & Chrisman, 1994). The second domain explores how social relationships within dyads can influence negotiation processes and outcomes (e.g., Greenhalgh & Chapman, 1996; Halpern, 1992, 1994, 1997a, 1997b; Schoeninger & Wood, 1969; Thompson & DeHarport, 1990, 1998; for a review, see Valley et al., 1995). Finally, the third domain is concerned with the influence of relationships on the functioning of organizational networks (e.g., Baker, 1984, 1990; Halpern, 1996; Shah & Jehn, 1993; Sondak & Bazerman, 1989; Valley, 1992). Each of these domains is further described below, with a particular focus on the ways in which social relationships help or hinder the negotiation process.

### *Influence of relationships on the judgment and preferences of individual negotiators*

There is evidence to support the argument that individual negotiators evaluate their own outcomes relative to outcomes obtained by their counterparts (Loewenstein, Thompson, & Bazerman, 1989; Thompson et al., 1995). For example, Loewenstein et al. found that disputants' preferences for hypothetical monetary payoffs are greatly influenced by payoffs to their hypothetical counterparts. Disputants generally were found to prefer equal payoffs to unequal payoffs, even when unequal payoffs slightly favored themselves. Such a socially influenced preference structure has been called "social utility" (Loewenstein et al., 1989; Messick & Sentis, 1979). However, when participants were instructed to imagine a negative relationship with their counterparts, they preferred inequality that favored themselves. This result suggests that the impact of social utility on negotiator preferences depends on the relationships among negotiators.

There has been some controversy over which distribution rule, in general, governs interactions that occur in close relationships (Clark & Chrisman, 1994). The controversy has centered on three rules in particular: equity, equality, and need (Deutsch, 1975). The

question not only concerns which rule is followed, but also which rule tends to be preferred by individuals in close relationships.

Studies using self-reports from intimate couples have found that serious marital relationships tend to be characterized by equity (i.e. proportionality between contributions and benefits) rather than equality (i.e. absolute equality of benefits) (Sabatelli & Cecil-Pigo, 1985; Utne, Hatfield, Traupmann, & Greenberger, 1984). However, a number of laboratory studies (e.g., Austin, 1980; Greenberg, 1983a; Morgan & Sawyer, 1967; Polzer et al., 1993; Thompson et al., 1995) have found the opposite result: namely that equality is preferred over equity in close relationships. For example, Austin (1980) had participants allocate \$5 between themselves and a stranger or a roommate (presumably representing a close personal tie) after receiving false feedback on a word-find task. Strangers were guided primarily by self-interest, allocating the money equally when they believed they had done poorly on the task and equitably when they believed they had done well on the task. Roommates, on the other hand, almost always divided the money equally regardless of differences in task performance.

Clark and Chrisman (1994) argue that these two seemingly contradictory perspectives – equity and equality – can be reconciled through the principle of need (i.e. proportionality between exigency and benefits). The studies supporting the use of an equity allocation rule are based on correlation between self-reported measures, making them subject to a great number of alternative explanations. Studies that have found support for the equality rule typically do not provide participants with information about needs, leaving participants to apply the equality rule as a reasonable substitute for need (Clark & Chrisman, 1994).

A study by Sondak, Pinkley, and Neale (1994) supports Clark and Chrisman's (1994) assertion. Sondak et al. manipulated the scarcity of a jointly held resource and found that, while strangers often use an equity rule in their negotiations, roommates allocate according to equality when resources are available but according to need when resources are scarce. Therefore, an equality rule seems to be used by roommates only in the absence of information about needs. Whenever roommates' needs are made salient, they allocate according to need.

When compared against a standard of rationality, allocation according to need may appear to demand undue concessions on the part of less needy parties. However, this conclusion ignores the inter-temporal nature of a long-term relationship and the possibility of integrative trade-offs over time (Mannix, Tinsley, & Bazerman, 1995). For example, Clark and Chrisman described need-based allocation in the context of an ongoing intimate relationship: "Each person should benefit the other in response to that other's needs without expecting specific repayments but reasonably expecting the other to be responsive to his/her needs if and when those needs arise and if the other has the ability to do so" (1994, p. 75).

### *Influence of relationships on negotiation processes and outcomes within dyads*

In the previous section, we described research on how individuals evaluate and apply distribution rules within social relationships. Inherent in this approach is the assumption that the preferences and actions of individuals, at least to some degree, influence negotiations. However, Bazerman, Gibbons, Thompson, and Valley (1998) argued that certain behaviors

that appear irrational from the individual perspective may be rational from the perspective of the dyad. For example, given the opportunity to communicate freely, negotiators often appear irrational in their individual decision making yet reach dyadic outcomes that *outperform* game theoretic models (Valley, Moag, & Bazerman, 1998, Bazerman et al., 1998). That is, individuals negotiating face-to-face routinely divulge more high-quality information than a prescriptive analysis would say they should (i.e., individuals do not fully exploit each other), however, because of the nature of the simulation (cf., Akerlof, 1970), such revelation makes profitable agreement possible for both parties where it would not otherwise be. Consequently, an alternative approach to the study of relationships and negotiation is to view the *dyad* and its relationship as the critical unit of analysis (Greenhalgh & Chapman, 1995). In this tradition, researchers have asked how the relationship within a dyad influences that dyad's joint process and outcome.

A substantial number of studies have examined whether close relationships (social, collegial, or romantic) help or hinder dyadic negotiations. Although one might expect that close relationships would *improve* the overall quality of negotiations, the results of studies suggest that effects of relationships on negotiations are quite complex (Valley et al., 1995). In terms of negotiation process, close relationships are associated with more information sharing (Fry, Firestone, & Williams, 1983; Greenhalgh & Chapman, 1996), less coercive behavior (Fry et al., 1983; Greenhalgh & Chapman, 1996), less demanding initial offers (Halpern, 1992, 1994, 1997a, 1997b; Schoeninger & Wood, 1969; Thompson & DeHarpport, 1998), and faster completion of agreements (Schoeninger & Wood, 1969). However, most studies indicate that close dyadic relationships do *not* directly improve joint outcomes (Greenhalgh & Chapman, 1996; Thompson & DeHarpport, 1990, 1998).

In fact, in some cases, close relationships may contribute to a *reduction* in joint outcomes (Fry et al., 1983; Schoeninger & Wood, 1969). For example, Fry et al. compared the performance results of 74 dating couples with 32 mixed-sex stranger dyads on a three-issue negotiation simulation with integrative potential. Although dating couples exchange more truthful information and engage in less contentious behavior, they reach less integrative final agreements (i.e., lower joint profit; Pruitt, 1983). This effect is strongest for couples who rate themselves as highest on Rubin's love scale (1970) – i.e., couples who are defensive or possessive in their orientation toward one another.

Data from studies on the impact of close relationships on negotiation among dyads seems inconsistent until one considers that relationships are defined differently across studies – some studies used participants who were friends or colleagues while other studies used romantic partners. In their 1995 review of the relationships and negotiation literature, Valley, Neale, and Mannix noted that the few studies finding a reduction in integrativeness among close dyads (Fry et al., 1983; Schoeninger & Wood, 1969) used *lovers*, rather than friends, as participants. Therefore, Valley et al. (1995) proposed a curvilinear model to describe the association between relationship closeness and outcome integrativeness, suggesting that strangers and lovers fare worse than friends and colleagues. However, no study has demonstrated that friends and colleagues reach better joint outcomes than do strangers. The reason for this may lie in the nature of the outcomes measurable by conventional negotiation simulations. As Valley et al. explain: "Two friends coming to a laboratory to negotiate an artificial scenario cannot be expected to find the issues in the negotiation as important as maintaining their actual relationship" (1995, p. 87).

This explanation for the lack of association between relationship closeness and integrativeness is supported by research on the moderating effects of pressures to reach a *good* agreement. Ben-Yoav and Pruitt (1984) found that when participants are encouraged to have high aspirations, those who are led to expect cooperative future interaction achieve more integrative outcomes than do those who are not. Conversely, when participants are not encouraged to have high aspirations, expectations of future interaction are associated with less integrative outcomes. To the extent that anticipation of presumably cooperative future interaction is a feature of close relationships (Greenhalgh & Chapman, 1996; Greenhalgh & Gilkey, 1993), these findings suggest that high aspirations might be the key to realizing the benefits of friendly and collegial relationships. If supported by future research, this notion qualifies Valley et al.'s (1995) theory of the curvilinear relationship between closeness and integrativeness.

### *Influence of relationships on the functioning of organizational networks*

Many contexts involve the availability of multiple potential negotiation partners. Therefore, a substantial body of research has addressed the question of how relationships influence negotiations in networks. For example, social networks have been found to predict stock market trading patterns (Baker, 1990), market ties between corporations (Baker, 1984), organizational allocations within a newspaper newsroom (Valley, 1992), and business relationships among senior real estate agents (Halpern, 1996).

While the existence of friendships within pre-existing small groups has been found to produce efficient decision-making and motor skills (Shah & Jehn, 1993), larger groups tend to be less efficient (Roth, 1982; Sondak & Bazerman, 1989, 1991), particularly when their member-to-member matching patterns are influenced by social relationships (Tenbrunsel, Wade-Benzoni, Moag, & Bazerman, 1998). Just as negotiator dyads in especially close relationships might choose to preserve their long-term relationships by making concessions rather than painstakingly searching for the most fully integrative outcomes, so too do individuals "satisfice" (March & Simon, 1958) by making deals with people they already know rather than seeking out new partners (Tenbrunsel et al., 1998).

Tenbrunsel et al. simulated a real estate market and examined the influence of pre-existing relationships. The results of their experiment demonstrate not only the clear sub-optimality of negotiators' partner selection (or "matching") process, but also how this sub-optimality is greatest when social relationships guide negotiator partner selection. In a follow-up study involving a more qualitative analysis, Tenbrunsel et al. determined a number of reasons why negotiators are influenced by social relationships, even though their doing so leads to sub-optimality. First, participants unwittingly abbreviate their partner-search activity in favor of matching with a person with whom they have a close personal tie. As in the dyad studies, negotiators place a value on non-scored factors such as fairness, trust, exchange of information, and ease of transaction. However, giving weight to these criteria does not pay off monetarily in terms of the actual negotiations. Instead, negotiators who deal with persons with whom they have close ties are more modest in their reservation prices and aspiration levels. In other words, in an attempt to enhance non-monetary payoffs

such as friendship or ease of transaction, negotiators often search for negotiation partners with whom they share personal relationships, even when such partnering preferences reduce their expected monetary payoff.

### *Summary*

Taken together, these three domains of research provide converging evidence of the potential positive *and* negative impact of relationships on negotiations. The literature on networks suggests that negotiators place value on the non-monetary benefits of relationships, leading to sub-optimal matching from a standpoint of monetary concerns and point payoffs (Tenbrunsel et al., 1998). However, research on dyadic interaction provides a potential alternative explanation for this apparent lack of rationality. That is, especially when pressures to reach good outcomes are weak (Ben-Yoav & Pruitt, 1984), dyads in laboratory studies are likely to prioritize maintaining or improving their real relationships over the substance of hypothetical role-play situations (Valley et al., 1995). Moreover, the tendency for dyads to achieve low joint outcomes could be a result of their reliance on the need rule (Sondak et al., 1994). Such use of the need rule, while seemingly irrational in one-shot negotiations, might prove to facilitate inter-temporal logrolling or integrativeness *across* negotiations (Mannix et al., 1995).

## **Egocentrism in Negotiation**

Whether or not they have close relationships with their negotiating partners, negotiators care about fairness. Indeed, fairness arguments play powerful roles in negotiation (Loewenstein et al., 1989; Messick & Sentis, 1979, 1985; Roth & Murnighan, 1982), even when enforcing standards of fairness results in a reduction of material payoffs to the individual (Loewenstein, Babcock, Issacharoff, & Camerer, 1993). However, as we shall see below, ambiguities in determining what is fair make room for egocentric or self-serving interpretations of fairness.

### *Evidence on egocentrism in negotiation*

Walster, Walster, and Berscheid (1978) proposed that parties' interest in fairness is not purely objective, but that people may tend to overweight the interpretations or fairness rules that favor themselves (see Diekmann, Samuels, Ross, & Bazerman, 1997). The result is that even though people display a preference for fairness, the desire for fairness in negotiated outcomes is easily biased in their own favor (for recent reviews, see Babcock & Loewenstein, 1997; Wade-Benzoni, Tenbrunsel, & Bazerman, 1997). This self-serving bias in assessment or interpretation has been referred to in the literature as egocentrism.

Thompson and Loewenstein (1992) found evidence of egocentrism in reports of fairness, and that egocentrism reduced negotiators' ability to come to agreement. In their first

experiment, a negotiation over wages, participants played the role of either management or union. Participants in both roles prepared with the same case information. Before the negotiation, but after receiving their role assignments, parties were asked what they believed a fair outcome to be. These estimates were egocentrically biased: representatives of the union tended to believe that a higher wage was fairer, whereas representatives of management tended to report that a lower wage was fairer. Parties then proceeded to trade bids until they converged on an agreement. Delay was costly to both parties because it meant that the union would go on strike. Thompson and Loewenstein found that the amount of egocentric bias displayed in these pre-negotiation assessments of fairness predicted the length of time it would take parties to reach agreement. The greater egocentricity seen in the partie's *ex ante* perceptions of fairness, the longer strikes tended to last. (See also replications by Babcock, Loewenstein, Issacharoff, & Camerer, 1995; Camerer & Loewenstein, 1993, Loewenstein et al., 1993.)

In their second experiment, Thompson and Loewenstein varied the amount of information provided to participants. Some participants received only the bare facts about the case, whereas others received detailed background information that had been rated as "neutral" in pre-testing. It might be expected that more information should reduce uncertainty and facilitate agreement (Priest & Klein, 1984). However, Thompson and Loewenstein found that more information is associated with greater egocentrism. Those participants who received the background information tended to make more extreme self-serving estimates of a fair outcome (see also Camerer & Loewenstein, 1993). Furthermore, when participants were later tested for recall of the background information, they showed a self-serving recall bias in their tendency to best remember those facts that favored themselves. This self-serving recall effect has been replicated elsewhere (Camerer & Loewenstein, 1993; Loewenstein et al., 1993), and suggests that memory biases contribute to egocentrism during either encoding or retrieval.

Babcock et al. (1995) provided a clever demonstration of the biasing effect of self-interest on the encoding of information. The investigators varied the point at which the participants in the experiment learned which negotiation role they were to play. In particular, all participants received the same case background information, but some read it knowing their roles while others read it without knowing their roles. The results of this subtle manipulation were dramatic. Parties who know their roles before they read the case materials are four times as likely to reach impasse as are dyads who do not know their roles when they read that information. Those who know their roles from the outset also are significantly more egocentric both in their estimations of a fair solution and in their predictions of what a judge will determine to be the just outcome.

Participants in the studies cited here did not make their fairness judgments public. As such, these judgments could not be expected by the parties to influence the other participants' negotiation behavior and thus were unlikely to be "strategic misrepresentations." However, two studies (Babcock et al., 1995; Loewenstein et al., 1993) offered a specific incentive for participants to be accurate in these private fairness judgments. Participants were told that the individual whose fairness assessments came closest to the determinations of an objective third party would be given an extra cash award. This incentive did not eliminate egocentrism in participants' interpretations of fairness, suggesting that their fairness reports reflect actual beliefs.

Wade-Benzoni, Tenbrunsel, and Bazerman (1996) extended this work on egocentrism to a four-party social dilemma. All participants in their experiment were given identical information to prepare for the negotiation and were asked to report, both before and after negotiation, what they believed to be a fair allocation of limited resources among the four parties. The investigators report two important findings. First, communication reduces egocentrism, a result that replicates Thompson and Loewenstein's (1992) finding that disputants' interpretations of fairness are significantly closer after negotiation than before. Second, asymmetry in available payoffs increases egocentrism. When the four parties face identical payoffs, they tend to share common perceptions of fairness; when payoffs are varied among the four parties, perceptions of fairness are divergent. This finding replicates the highly consistent pattern observed elsewhere (Babcock & Olson, 1992; Camerer & Loewenstein, 1993; Diekmann, 1997; Diekmann et al., 1997; Messick & Sentis, 1983) that ambiguity in problem solving creates an opening in the decision-making process in which egocentrism can develop via differential interpretation of the facts and application of the relevant fairness rules.

### *Consequences of egocentrism in negotiation*

A number of researchers have used egocentric interpretations of fairness to explain the vexing problem of impasse in negotiation (Babcock & Loewenstein, 1997; Babcock et al., 1995; Babcock & Olson, 1992; de Dreu, Nauta, & van de Vliert, 1995; Thompson & Loewenstein, 1992). Evidence on egocentrism can help account for why disputants pay the high costs of strikes, litigation, delay, stalemate, and deadlock, despite strong incentives to reach agreement. If both parties seek a fair outcome, yet their self-serving interpretations of fairness are incommensurable, the ironic result is that negotiators may impasse despite a positive bargaining zone and motivation to be fair (Babcock & Loewenstein, 1997; Drolet, Larrick, & Morris, 1998; Thompson & Loewenstein, 1992).

There are two ways to understand how this clash could result in impasse. First, self-serving interpretations of fairness may result in an equitable agreement being perceived as unfair and exploitative. Perceptions of exploitation by another party may give rise to a desire for vengeance. The resulting motivation to punish the opponent for unfair behavior can lead to rejection of otherwise profitable agreements. This motive can be seen most clearly in ultimatum bargaining experiments where recipients reject profitable offers they perceive to be unfair (Ochs & Roth, 1989; Pillutla & Murnighan, 1996). Blount (1995) has shown that uneven allocations are more likely to be accepted when they are simply uneven (generated by a random device) than when they are unfair (generated by a person who benefits from the unevenness).

A second, simpler way to understand how egocentrism leads to impasse is to assume that negotiators have a utility for fairness – that they would prefer a moderately profitable, but equal, alternative to a highly profitable alternative involving inequality that favors the other side. Data supporting this point of view come from work on social utility (Loewenstein et al., 1989; Messick & Sentis, 1985) – people care very much about how their outcomes compare with others' and they display a powerful disutility for disadvantageous inequality (Neale & Bazerman, 1991). In negotiation, social utility may be magnified because

negotiator aspirations tend to mirror their fairness judgments (Drolet et al., 1998). In this way, egocentric interpretations of fairness can lead to unrealistic aspirations, which in turn are likely to increase contentious behavior and delay settlement. De Dreu, Nauta, and van de Vliert (1995) offered correlational evidence from actual negotiations, suggesting that egocentric evaluations are associated with escalation of conflict. The cumulative result of these effects is that impasses exact high costs from individuals, businesses, and societies (Pruitt, Rubin, & Kim, 1994).

The practical question is, how can egocentrism be reduced? Bazerman and Neale (1982) were able to successfully debias negotiators by providing them with facts about overconfidence and egocentrism in negotiation. Thus, negotiators may inoculate themselves against egocentric biases by learning about their dangers. While some have argued that egocentrism may help negotiators claim value, we advise negotiators to strive to obtain the most accurate perceptions possible. One may certainly choose a contentious strategy or an extreme bargaining position, but negotiators are best prepared when they have the best information. Critics of research on egocentrism have argued that these effects are likely to be exaggerated in a laboratory situation with minimal context and naïve negotiators. However, others have found the familiar pattern of self-serving biases and egocentrism in real conflicts involving experienced professionals (Babcock & Olson, 1992; Babcock, Wang, & Loewenstein, 1996), including professional negotiators (de Dreu, Nauta, & van de Vliert, 1995). Indeed, evidence suggests that the more a partisan is involved in and cares about a dispute, the more biased he or she is likely to be (Thompson, 1995).

### *Motivational forces*

Although some have argued that egocentrism can arise through unbiased psychological processes (Ross & Sicoly, 1979), the data presented here clearly suggest motivated processing. The general pattern of motivational forces that emerges from studies of fairness in negotiation is that individuals behave as if they are attempting to maximize a complex function made up of three variables of concern. First, people obviously care about their own outcomes. Diekmann (1997) argued that self-interest is a ubiquitous motivation, and that it will tend to bias all judgments in which the decision maker holds a stake. Messick and Sentis (1983) proposed that preferences are basic and immediate, but that we must determine through reflection what is fair, and that this process is vulnerable to bias. When the situation becomes more complex, fairness becomes ambiguous (Messick & Sentis, 1983), and parties in a dispute tend to interpret fairness and invoke fairness rules in ways that favor themselves (de Dreu, 1996; Diekmann et al., 1997; Messick & Sentis, 1979).

Second, people work to manage the way they are perceived by others. It is desirable to be perceived as fair by others (Greenberg, 1990). Diekmann (1997) found that people tend to reach egocentric fairness judgments and allocate accordingly when they are allocating in private. Egocentrism is eliminated, however, in public allocations to the self.

Third, people work to manage their own self-perceptions. People prefer to imagine themselves to be fair, even generous (Greenberg, 1990; Messick, Bloom, Boldizar, & Samuelson, 1985). By having some of his participants make allocation decisions in a room filled with mirrors, Greenberg (1983b) heightened self-awareness and demonstrated the

importance of self perception in egocentrism. While participants assigned to the no-mirror control group evaluate disadvantageous inequality as more unfair than the same inequality when it favors them, those participants who are made self-aware by being in a room filled with mirrors do not exhibit this egocentric bias in their fairness judgments.

### *Summary*

While fairness concerns play an important role in negotiation, partisans tend to offer egocentric assessments of fairness, even when the assessments are private and therefore not motivated by any conscious strategic intent (Loewenstein et al., 1993). Ambiguity and information richness make room for biased interpretations of fairness (Thompson & Loewenstein, 1992), which can occur through differential weighting of available information (Diekmann et al., 1997) or selective encoding and retrieval (Babcock et al., 1995). Egocentrism grows from individuals' tendency to be self-interested (Messick & Sentis, 1983), but it is moderated by the desire to appear fair both to themselves (Greenberg, 1983b) and to others (Diekmann, 1997).

## **Attributions and Construal in Negotiation**

Two reasons why negotiation outcomes deviate from the predictions of classical game theory are the attributions negotiators make about their counterparts and the construals negotiators form about their situations. While the literature on attributions in negotiation is quite broad, in this section we review only literature that relates directly to the behavioral decision perspective outlined earlier. As a result, we omit a number of significant contributions that do not meet this criterion (e.g., Baron, 1985, 1988, 1990a; Betancourt & Blair, 1992; Bies, Shapiro, & Cummings, 1988; Bradbury & Fincham, 1990; de Dreu, Carnevale, Emans, & van de Vliert, 1994, 1995; Forgas, 1994; Friedland, 1990; Johnson & Rule, 1986; Kette, 1986; Lord & Smith, 1983).

### *Attributions negotiators make about their counterparts*

Work by Robinson and colleagues has shown that partisans to conflict tend to exhibit a false polarization effect. That is, they exaggerate the distance between opposing groups in a conflict. Robinson, Keltner, Ward, and Ross (1995) demonstrated this false polarization effect on a variety of social and political issues (Keltner & Robinson, 1996; Robinson et al., 1995; Robinson & Keltner, 1996). For example, participants, who had identified themselves as either pro-life or pro-choice, responded to a variety of questions surveying their own attitudes about abortion, as well as the attitudes they believed to be held by the average pro-life or pro-choice advocate. The results clearly demonstrate that participants overestimate the degree of ideological difference between themselves and their opponents and caricature their ideological opponents as being more extreme than they actually are.

Participants even perceive their *own* group as being more extreme than it actually is. Moreover, this effect is exacerbated for groups that represent the more powerful status quo position (Robinson & Keltner, 1997).

In a similar vein, Kramer (1994) found participants remarkably ready to attribute sinister motivations to others when the basis for their behavior is ambiguous. Kelley (1972) has argued that disputants readily attribute the causes of others' behavior to malevolent ulterior motives where such explanations are plausible. Benign explanations for behavior that are provided by the opponent will be discounted to the extent that more sinister explanations are plausible (Robinson & Friedman, 1995). If parties attribute to their opponents more extreme positions than their opponents actually hold, conflict resolution becomes more difficult (Robinson et al., 1995). Both Kramer's sinister attribution error and Robinson and Keltner's false polarization increase the likelihood that disputants will assume that their interests are opposed, even when they are not (Thompson & Hrebec, 1996). Such attributions are likely to engender blame and hostility that make agreement difficult (Keltner & Robinson, 1993).

What prescriptions can be offered to the negotiator? Rubin et al. (1994) expressed pessimism about the ability of negotiators to counteract the effects of attributional conflict. They argued that selective perceptions will limit the opportunities for parties to correct sinister and fanatical attributions of opponents in three ways. First, partisans tend to be biased in their evaluation of behaviors by the disputants (Hastorf & Cantril, 1954; Oskamp, 1965). Second, confirmation biases in the search for information about other parties magnifies the likelihood that disputants will only reconfirm their prior suspicions (Snyder & Swann, 1978). Third, evidence on attributional distortion has shown that, consistent with the fundamental attribution error (Ross, 1977), people are more likely to attribute opponents' behavior to stable aspects of their personalities than to situational pressures (Morris, Larrick, & Su, 1998), especially when behavioral evidence confirms prior beliefs about the disposition of the opponent. Disconfirming behavioral evidence is more likely to be attributed to situational pressures (Hayden & Mischel, 1976; Regan, Straus, & Fazio, 1974).

Consistent with this logic, Kramer found that careful reflection did not ameliorate the tendency to commit the sinister attribution error. On the contrary, Kramer found that both self consciousness and rumination *increase* the tendency to ascribe malevolent motivations to others (Kramer, 1994). Fortunately, the data on attenuating false polarization offer more hope. Keltner and Robinson (1993) found that when both negotiators disclose their ideological views in a non-contentious way prior to negotiation, outcomes are more complete and more integrative. Qualifying these results, subsequent research by Puccio and Ross (1998) found that disclosure of one's own views is less effective at reducing false polarization than describing the "most legitimate and convincing" arguments on the other side.

#### *Negotiators' construals of their situations*

Just as negotiators make attributions about their counterparts, so do they form interpretations or construals about their situations. The principle of situationism in social psychology (Lewin, 1935) asserts that seemingly insignificant aspects of situations can represent potent forces in determining individual behavior. Negotiators not only see and act in biased ways, they misattribute the source of this bias to the malevolence or extremism of the

other side rather than the more mundane tendency for people to construe the world in light of their expectations and self-interest (Ross & Ward, 1996). However, as stated earlier, the 1960s and 1970s negotiation literature failed to consider the negotiator's interpretive construal process (Kelley & Thibaut, 1978; Nisbett & Ross, 1980; Ross & Nisbett, 1991). A negotiator responds not only to objective features of his or her situation, but also to his or her *construal* of those features.

One way to study negotiators' construal processes is to examine their pre-existing modes of viewing conflict situations. For example, Pinkley and Northcraft (1994) studied the degree to which individual conflict frames, measured prior to negotiation (Pinkley, 1990), predicted negotiation behavior. Both task orientation (i.e., lack of concern for relationship) and cooperative frame (i.e., lack of competitiveness) are associated with higher individual and joint profit. Although certainly intriguing, the results of this study are correlational, and therefore subject to a number of alternative explanations.

Other studies have mitigated such alternative explanations by *manipulating*, rather than measuring, conflict frame. Ross and Samuels (1993) found that the behavior of participants in a prisoner's dilemma game could be drastically influenced by the name assigned to that game. Participants who played "The Community Game," cooperated approximately twice as frequently as participants who played the identical game entitled "The Wall Street Game" (Ross & Ward, 1995). A similar study by Lerrick and Blount (1997) found that manipulating the presentation of an ultimatum game influences the behavior of participants. When the identically structured game is described as a social dilemma (mutual "claiming" of a shared resource) rather than an ultimatum game (a "proposed division" followed by "accepting" or "rejecting"), those who propose the division ("first movers") are more generous in their allocations and those who "accept" or "reject" the division ("second movers") are more tolerant of inequalities that favor the other player. In fact, second movers are approximately three times more likely to accept allocations of zero for themselves when the game is described as a social dilemma ("claiming") rather than an ultimatum game ("rejecting"/"accepting") (Lerrick & Blount, 1997).

Still other studies have examined whether these patterns generalize from decision games like the prisoner's dilemma game and the ultimatum game to negotiations (Bottom & Paese, 1997; O'Connor & Adams, 1998; Thompson & DeHarppport, 1998). The results seem to depend on specific features of the manipulations. For example, those for whom a negotiation task is framed as problem solving ("two people face a common problem") rather than as bargaining ("each person is trying to get what he or she wants") are found to expect higher individual profit, more cooperation, and a more collaborative process yielding a fairer outcome. However, the problem-solving task frame does not correlate with actual outcomes (Thompson & DeHarppport, 1998).

In contrast, O'Connor and Adams (1998) found that framing the negotiation task as a joint search for the one and only solution to a problem, or framing it as a negotiation situation in which both parties are trying to reach agreement, influences both pre-negotiation expectations and joint profit. Furthermore, those who are instructed to view the conflict as a joint search for one solution have a more accurate assessment of their counterparts' interest and reach more integrative outcomes.

Although more research is necessary to clarify the specific situational attributions that lead to differences in negotiation behavior, the existing research demonstrates that nego-

tiators' responses to situations do depend on their interpretations or construals of those situations. As noted earlier, situations represent relatively fixed aspects of negotiations unlikely to be under the control of the individual negotiator (Murnighan, 1986; Pinkley et al., 1995). However, the implication of the studies just described is that negotiators may be able to influence their own or their counterparts' construals of those situations and, in doing so, affect negotiation outcomes. More research is necessary to test this assertion.

### *Summary*

The assumptions negotiators make about their counterparts and the ways they construe their situations are important predictors of negotiator attitudes and outcomes. Such attributions can reduce or magnify conflict between parties. For example, although partisans tend to assume that their opponents are more fanatical and extreme than they actually are, certain types of mutual disclosure seem to mitigate harmful attributions about one's counterpart. Although comparatively less researched, strategic re-framing of otherwise fixed conflict situations by individual negotiators may influence negotiator attitudes and outcomes. We consider a negotiator's management of these attributional and construal processes, through these and other means, to be a critical factor in the resolution of conflict.

## **Motivated Illusions and Negotiation**

Beginning in the mid-1980s, a new set of biases entered the social psychology arena: positive illusions (Messick et al., 1985). Evidence on positive illusions suggests that most people view themselves, the world, and the future in a considerably more positive light than reality can sustain (Taylor, 1989). Taylor and Brown (1988) argued that these illusions can enhance and protect self-esteem, increase personal contentment, encourage individuals to persist at difficult tasks, and help people cope with aversive and uncontrollable events. Taylor (1989) even argued that positive illusions are beneficial to physical and mental health. This research is related to the self-serving nature of the egocentric interpretations described earlier. However, while egocentrism tends to be specifically related to judgments of fairness, positive illusions have a broader effect. We highlight four types of motivated illusions of particular relevance to negotiation: (1) unrealistically positive views of the self, (2) unrealistic optimism, (3) the illusion of control, and (4) self-serving attributions. We review each of these motivated illusions and discuss their impact on negotiation.

### *Unrealistically positive views of the self*

We tend to perceive ourselves as being better than others on desirable attributes (Brown, 1986; Messick et al., 1985), causing us to have unrealistically positive self-evaluations (Brown,

1986). For example, people perceive themselves as being better than others across a number of traits, including honesty, cooperativeness, rationality, driving skill, health, and intelligence (Kramer, 1994).

### *Unrealistic optimism*

Unrealistic optimism refers to a tendency to believe that our futures will be better than those of other people (Kramer, 1994, Taylor, 1989). Taylor provided evidence that students expect that they are far more likely to graduate at the top of the class, to get a good job with a high salary, to enjoy their first job, to get written up in the newspaper, and to give birth to a gifted child than reality suggests. Similar results have emerged for groups other than students. Taylor pointed out that we persist in expecting that we can achieve more in a given day than is possible, and that we are immune to the continued feedback that the world provides on our limitations. More directly relevant to negotiation, Kramer (1991) found that 68 percent of the MBA students in a negotiation class predicted that their bargaining outcomes would fall in the upper 25 percent of the class. These students also expected that they would learn more than their classmates would learn, with more unique results, and that they would contribute more to the class experience.

### *The illusion of control*

We also falsely believe that we can control uncontrollable events (Crocker, 1982) and overestimate the extent to which our actions can guarantee a certain outcome (Miller and Ross, 1975). Gamblers believe that "soft" throws of dice are more likely to result in lower numbers being rolled (Taylor, 1989). These gamblers also believe that silence by observers is relevant to their success. Langer (1975) found that people have a strong preference for choosing their own lottery card or numbers, even when this has no effect on improving the likelihood of winning. Many superstitious behaviors are the result of an illusion of control. Kramer (1994) and Bazerman (1998) suggest that negotiators are likely to falsely believe that they have greater control of the behavior of adversaries, the timing of negotiation, and the broader context of their negotiations than is true in reality.

Shafir and Tversky (1992), and Morris, Sim, and Girotto (1998) provided evidence that parties in a prisoner's dilemma act as if their decision will control the decision of the other party, even when doing so is logically impossible. Essentially, this work suggests that one reason that parties cooperate in one-shot prisoner dilemma games is the illusion that their cooperation will create cooperation in the other party. Shafir and Tversky had participants make decisions about whether to cooperate or defect in a prisoner's dilemma game: (1) when the decision of the other party was unknown, (2) when it was known that the other party had cooperated, and (3) when it was known that the other party had defected. Interestingly, many participants cooperate under the first of these conditions, but defect under the latter two.

Shafir and Tversky (1992) argue that this behavior violates Savage's (1954) "sure thing" principle, which states that if you would defect regardless of the decision of the other party, it logically follows that you should defect if you do not know their decision; Morris, Sim,

and Girotto (1998) developed this one step further by noting that this result is only common when the other party has not yet made their decision. If the other party has made their decision, participants are much more likely to defect in the unknown condition. Morris, Sim, and Girotto concluded that the illusion of control explains this pattern. When the decision of the other party has already been made, it is no longer intuitively plausible that the participant can control the decision of the other party.

### *Self-serving attributions*

Finally, returning to the theme of attributions developed earlier, people are biased in how they explain the causes of events. We tend to take a disproportionately large share of the credit for collective successes and to accept too little responsibility for collective failures (Kramer, 1994). John F. Kennedy understood this when he said: "Victory has a thousand fathers, but defeat is an orphan." Similarly, when negotiators are asked why they are so successful, they tend to give internal attributions – reasons related to the decisions they made. However, when asked about a failure, they tend to give external attributions – they explain the failure as the result of the unfortunate situation in which they found themselves (Bazerman, 1998). Self-serving biases also play a role in the assignment of blame for a variety of problems. Consider an environmental dispute: What is the cause of global warming? The US blames emerging economies for burning the rain forests and for over-population. Emerging nations blame the West for pollution caused by industrialization and excessive consumption. The problem is that in the process of attributing the blame to others, parties reduce their motivation to change their own behaviors so as to contribute to a solution (Wade-Benzoni, Tenbrunsel, and Bazerman, 1997).

We also see the reverse of positive illusions in the context of judgments about opponents. Salovey and Rodin (1984) found that individuals tend to denigrate others who are more successful than they are. Kramer (1994) shows that less-successful MBA students downgrade the performance of more-successful students in negotiation simulations. These MBA students are more likely to attribute the success of other students to uncooperative and unethical bargaining tactics, to ascribe more negative motivations to successful negotiators, and to rate these other students as excessively competitive and self-interested. Both Diekmann (1997) and Tenbrunsel (1995) have found that while students rate themselves above the mean of their class on a variety of positive attributes, they rate their specific negotiation opponent below the mean on these attributes. Kramer (1994), basing his argument partially on Janis's (1962) analysis of political events, tied this pattern of behaviors to tragic mistakes made in politics. Kramer (1994) argued that the mismanagement of the Watergate embarrassment by the Nixon administration was partially the result of denigrating the competence and motivation of their opponents.

### *The dysfunctional consequences of motivated illusions in negotiation*

The self-serving illusions we have reviewed have obvious implications for the negotiation process. For example, Kramer, Newton, and Pommerenke (1993) pointed out that oppo-

ment denigration has important negative implications for the process of negotiation. The authors maintained that negotiators' willingness to reveal information about their own interests may be contingent upon their expectation that the other party will reciprocate such disclosures. Individuals' judgments regarding such attributes as the other party's cooperativeness, fairness, and trustworthiness might be expected to play an important role in their negotiations. With the combined effects of self-enhancement and the denigration of opponents, negotiators who see themselves as better than others may undermine their ability to appreciate or fully empathize with the perspective of the other party. This may help explain why negotiators are not very good at understanding the cognitions of the other party (Bazerman & Carroll, 1987). Both parties to a negotiation may feel that they tried harder to reach agreement and offered more substantial concessions than the other party, and that it was only the recalcitrance of the other that forestalled agreement. In a group decision-making study, Polzer, Kramer, and Neale (1997) found that positive illusions about individual performance in a group are positively correlated with the level of conflict in that group.

Motivated illusions also may lead to dysfunctional behaviors for the broader society. Specifically, motivated illusions are argued to lead to defection in large-scale social dilemma problems (Wade-Benzoni, Thompson, & Bazerman, 1998). Positive illusions may lead people to think that, in comparison to others, their behaviors and attitudes are environmentally sensitive, and that they are doing their fair share of sacrificing and working toward the resolution of environmental problems, even though their self-assessments may, in reality, be inflated (Wade-Benzoni et al., 1998). Consistent with Allison, Messick, and Goethals (1989), Wade-Benzoni et al. found self-assessment of environmental sensitivity to depend on how much ambiguity surrounds the self-assessment. Specifically, individuals maintain unrealistically positive beliefs about their degree of environmental sensitivity when their self-evaluation is difficult to disconfirm, but possess more realistic assessments of themselves when they are constrained by the objectivity of the evaluation (cf. Kunda, 1990). For example, assessments of general beliefs such as one's awareness of, concern for, understanding of, and interest in environmental issues and problems are difficult to confirm or disconfirm. However, beliefs about how well one performs on specific activities such as recycling, donating money to environmental organizations, and using energy-saving light bulbs can be checked against objective measures. If individuals define their environmental sensitivity in terms of general (not easily confirmable) behaviors instead of specific (objectively measurable) behaviors, their self-evaluations are likely to be inflated.

Taylor (1989) argued that positive illusions are adaptive. These illusions are said to contribute to psychological well-being by protecting an individual's positive sense of self (Taylor & Brown, 1988). In addition, Taylor and Brown argued that positive illusions increase personal commitment, help individuals persist at difficult tasks, and facilitate coping with aversive and uncontrollable events. Certainly, it is reasonable to argue that positive illusions help create entrepreneurs who are willing to discount risks. Positive illusions help people maintain cognitive consistency, belief in a just world, and perceived control (Greenwald, 1980). Seligman (1991) advocated the selection of salespeople based on the magnitude of their positive illusion – what he calls "learned optimism." He argued that unrealistically high levels of optimism are useful for maintaining persistence in a sales force.

We believe that each of these findings is true and that, in some specific situations (e.g., severe health conditions), positive illusions may prove beneficial. In addition, positive illusions may be useful for coping with tragic events, particularly when the individual has no other alternatives and is not facing any major decisions. However, we also believe that this evidence leads to an incomplete and dangerous story in most decision-making and negotiation environments. Countries go to war because of their positive illusions about the strength of their side. The opportunity to reach agreement with significant others, business partners, and negotiation opponents is lost because of these illusions. We believe that one cannot maintain positive illusions without reducing the quality of decisions that one makes.

In the context of negotiation, the logic of the impact of positive illusions on negotiation success is clearly affected by the choice of the dependent variable. Positive illusions increase the quality of agreements for the party possessing the bias, if an agreement is reached (Loewenstein et al., 1993; Riley, 1999; Riley and Robinson, 1998). However, positive illusions also increase the likelihood of impasse – even when a positive bargaining zone exists (Bazerman, 1998; Bazerman and Neale, 1982; Thompson and Loewenstein, 1992). On balance, we clearly recommend against the acceptance of positive illusions as a positive influence on negotiators. We want a more reasoned trade-off between the claiming of value and the risk of impasse than is possible under the effect of positive illusions.

Our negative reaction to positive illusions in negotiation is shared by a growing number of scholars. These scholars argue that positive illusions are likely to have a negative impact on learning, the quality of decision making, personnel decisions, and responses to organizational crises ("the oil in the water isn't really that big a problem"). Positive illusions can also contribute to conflict and discontent (Brodt, 1990; Kramer, 1994; Kramer et al., 1993; Tyler & Hastie, 1991).

### *Summary*

Substantial evidence demonstrates that many errors made in negotiation result from motivational biases. In contrast to the cognitive biases that dominated the earlier negotiation literature, recent research has highlighted the importance of biases that stem from the desire to see oneself or one's world in a positive light. Although such biases serve a psychological function, we believe that resulting decisions lower the overall benefit to the decision maker and are inconsistent with what the individual would prefer for him- or herself when acting more reflectively.

### **Out-of-control Behavior and Emotion in Negotiation**

The final aspects of social behavior that we seek to integrate into a decision theoretic perspective of negotiation are emotions and out-of-control behavior. Most of us know intuitively that emotions are critical to negotiator behavior, and researchers have a growing sense that emotions in negotiation have been underexplored (Barry & Oliver, 1996; Keltner, 1994; Thompson, Nadler, & Kim, 1999). However, the negotiation literature is not very

informative about how emotion affects negotiator performance. Thompson et al. (1999) attributed this void to the cognitive revolution in general, and more specifically to the cognitive tilt of the decision analytic perspective to negotiation. Davidson and Greenhalgh (1999; Greenhalgh & Okun, 1998) argued more strongly that the laboratory/cognitive approach that has dominated negotiation research in the 1980s and 1990s excludes the most important variables for the convenience of the laboratory experimentalist.

Much of the prescriptive writings on negotiation imply that emotions should be controlled (Fisher & Ury, 1981). Emotions generally are viewed as forces that lead negotiators to act against their long-term self-interest (Bazerman, Tenbrunsel, & Wade-Benzoni, 1998). In contrast, Keltner and Kring (1998) described a functional view of emotions. They argued that emotions perform an informative function by signaling information about feelings and intentions. In addition, they argued that emotions serve an incentive function by rewarding or punishing the behavior of the other side. Barry (1999) and Thompson et al. (1999) described how emotions can be used by negotiators for tactical and strategic advantage. Thompson et al. (1999) argue that negotiators learn to maintain what they perceive to be a happy mood in others, and change what they perceive to be a negative mood. They also argue that when people anticipate a negative reaction, they attempt to reduce the negativity by adjusting their own emotional expression.

### *Emotion in negotiation*

There have been a small number of studies directly examining the role of mood on negotiation outcomes. Carnevale and Isen (1986) showed that negotiators in positive moods were less likely to adopt contentious behaviors and more likely to obtain integrative outcomes. Similarly, Baron (1990b) showed that negotiators in good moods make more concessions and are less likely to engage in dysfunctional, competitive behaviors. Kramer et al. (1993) also found that positive moods lead negotiators to believe that they perform better than their opponents and better than other negotiators playing the same role.Forgas (1998) found that good mood enhances, and bad mood reduces, the tendency to select a cooperative strategy in negotiation. Furthermore, Forgas argued that negotiators in a positive mood negotiating against negotiators in a negative mood get more than half of the pie of available resources. Forgas interprets this as resulting from the tendency of a good mood to lead to positive expectations, which as noted earlier, increases the distributive success of the negotiator.

There is less evidence about the effect of negative moods on negotiator performance. This is partly a result of the complexity and ethical concerns of inducing negative moods in controlled experimentation. However, Allred, Mallozi, Matsui, and Raia (1997) did find that angry negotiators are less accurate in judging the interests of opponent negotiators and achieve lower joint gains. Loewenstein et al. (1989) found that negative emotions arising from a negative relationship make negotiators more self-centered in their preferences about the allocation of scarce resources. Loewenstein et al. found that, while those in neutral or positive moods are willing to pay a personal price for equality, those in a negative mood are far less concerned with the outcomes of another party. Pillutla and Murnighan (1996) showed that anger is a key explanatory factor in the rejection of

ultimatums in the ultimatum game. That is, when an ultimatum makes people angry, they are likely to reject that ultimatum even when rejection leads to a worse outcome than acceptance.

The good news for these researchers was that, throughout this research, fairly mild manipulations were able to create moderately strong effects. The bad news is that the nature of the emotion/affect manipulations was too "cold" (Janis, 1982) to capture the essence of why people find the role of emotion in negotiation so compelling. When we think about emotion in negotiation, we think of the out-of-control marital argument or the angry customer, instead of the more muted emotions associated with receiving a trivial gift in advance of a negotiation. Thus, ease of experimentation has biased research toward exploring positive and "cold" emotions, rather than the negative, "hot" emotions that we intuitively believe to be the most prevalent emotions in negotiation. Despite the lack of direct evidence, the rest of this section explores the role of "hot" emotions, or out-of-control behaviors, on negotiation.

### *Out-of-control behavior in conflict situations*

Following work on multiple selves by Schelling (1984) and Thaler and Shefrin (1981), Bazerman, Tenbrunsel, and Wade-Benzoni (1998) see emotion as playing a critical role in negotiation. Emotion can create a divide between what people think that they *should* do (cognitive) versus what they *want* to do (emotion). According to this view, people involved in conflicts deal with internal inconsistencies between transient concerns and long-term self-interest. They want to tell their boss what they really think of the recent budget allocation decisions but think that they should keep these insights to themselves. This conflict between cognition and emotion is broadly consistent with Loewenstein's (1996) perspective of visceral responses (emotion) overpowering self-interest (cognition). Loewenstein pointed out that success in many professions is achieved with the skill of manipulating emotions in other people. Salespeople and real estate agents try to close deals by targeting the customer's emotional desire for a commodity, while encouraging them to ignore other options and long-term financial issues. Con men capitalize on the greed of their potential victims. To defend people against their own emotions, many states try to protect consumers from impulses brought on by transient concerns by legislating periods of revocability for high-priced items, such as condominium share purchases (Loewenstein, 1996).

In a study that asked participants to think of a real world episode where they experienced internal conflict between what they wanted versus what they thought that they should do, O'Connor, de Dreu, Schroth, Barry, Liturgy, & Bazerman (1999) found that actual behavior is more closely related to their emotional response (want response) than to their cognitive assessment (should response). Consistent with Loewenstein (1996), this research also showed that study participants are more emotional at the moment of decision than when they are either looking back on the conflict or looking ahead to a future conflict. We posit that these differences in preferences occur because the cognitive self dominates when decision makers are looking toward the future but that emotions, triggered by the immediacy of rewards, often dominate at the point of the decision.

### *Summary*

What research there is on emotion in negotiation has been limited by the practical and ethical difficulties associated with inducing the sorts of powerful emotions that are important in many actual negotiations. It appears that mild positive moods increase cooperative behavior and decrease competitive behavior, improve negotiators' perceptions of their own performance, and actually may improve negotiators' abilities to obtain integrative joint outcomes. Mild negative moods, on the other hand, seem to reduce insight into one's opponents' interests, reduce concern with one's opponents' outcomes, and are associated with the rejection of offers. The "multiple selves" problem explores emotional behavior that is beyond the control of the more deliberative part of the self. Impulsiveness appears to be strongest in the heat of conflict.

### **Conclusions**

The negotiation literature of the 1980s was dominated by a strong cognitive tilt, leaving many important social psychological issues underexplored. This situation was in part due to the failure of the social psychology literature of the 1960s and 1970s to answer prescriptive questions of great importance to negotiators. Behavioral decision research in negotiation of the 1980s and early 1990s emphasized a prescriptive approach to negotiation. In particular, it provided guidance to negotiators about how their own behavior and the behavior of their negotiation opponents might deviate from a rational model. However, this research stream has ignored several key social variables.

This paper has charted the rebirth of the social psychology of negotiations. Relationships between negotiators, concerns for fairness, attribution and construal processes, motivated illusions, and emotions are among the most critical social-psychological variables in this re-emerging literature. We have selectively reviewed each of these variables with a particular focus on their relevance to negotiators.

Negotiation research, especially over the past three decades, has been fueled by concerns of practical relevance. As a result, more negotiation research has taken place in professional schools than in psychology departments. We have attempted to position the new social psychology of negotiation in a way that will preserve this practical relevance by helping us understand, predict, and give advice to a focal negotiator, including advice on how to anticipate the behavior of others. In addition to its practical value, however, the rebirth of the social psychology of negotiation is important because of its theoretical significance. Negotiation – the interpersonal process of conflict resolution – is one of the most basic and most important forms of social interaction. Research on negotiation is an essential step in the process of building a complete understanding of social and organizational behavior.

The beginning of the twenty-first century should be an important period in the development of the social psychology of negotiation. The demand for more social-psychological insights is strong, and many fruitful research directions have begun. We believe a critical determinant of the success of future social psychological research will be the degree to

which it provides insights that make negotiators wiser. This value was deficient in early research on the social psychology of negotiations, but has been incorporated in its rebirth. We hope this pattern continues into the next decade and beyond.

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